## Regulation (39-) 26-105.2.

When an item of tangible personal property is rented with a warranty for the maintenance or servicing of the property, for a given period of time, the sales tax will be imposed, collected, and paid upon the rentals payable, including the value of the warranty, if the rental is subject to the sales tax under the provisions of C.R.S. 1973, 39-26-102(23). Lessors of tangible personal property providing a warranty for the maintenance or servicing of the rental property may apply to the executive director to exclude from the rental price the average value of the cost of service included within the warranty. If written permission is granted by the executive director, the sales tax will apply to the rental price of such article of tangible personal property, exclusive of that part of the rental price which is assignable to the anticipated cost of repair labor included within the warranty.

If a separate warranty or service contract is purchased, the sales price of the warranty or service contract is not subject to a sales or use tax. However, the individual providing the warranty or service must pay sales or use tax on the purchase price of tangible personal property used to provide such service when the property is purchased or is taken from inventory for this purpose. When a vendor or lessor contracts with another unrelated entity to provide the warranty service, he shall exclude the cost of the warranty contract from the sales price subject to sales tax; in this situation the individual providing the warranty is liable for payment of tax as provided above.